FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 113

SHORT TITLE: Agricultural Biomass Tax Credit Amounts

SPONSOR: Maestas

LAST UPDATE: 1/29/2026 **ORIGINAL DATE:** 1/28/2026 **ANALYST:** Francis

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
PIT or CIT		($267.0)	($267.0)	($267.0)	($267.0)	Recurring	General Fund

Parenthesees indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Energy Minerals and Natural Resources

Agency or Agencies That Were Asked for Analysis but did not Respond
Taxation and Revenue Department
Department of Natural Resources

Agency or Agencies That Declined to Respond
Environment Department

SUMMARY

Synopsis of Senate Bill 113

Senate Bill 113 (SB113) increases the corporate and personal income tax credits for agricultural biomass from $5 to $10 per wet ton of agricultural biomass transported from a dairy or feedlot to a facility that uses it for electricity generation or to make biocrude or other fuel for commercial use.

In existing law, “agricultural biomass” is defined as wet manure, meeting Energy Mineral and Natural Resource Department (EMNRD) specifications, from a feed lot or dairy. “Biocrude” means a non-fossil form of energy that can be transported and refined using existing petroleum refining facilities and is made from biologically derived feedstocks and other agricultural biomass.

The bill applies to tax years beginning after January 1, 2026.

FISCAL IMPLICATIONS

SB113 doubles the tax credit available to dairies and feedlots that are able to transport biomass to a qualified facility. According to the *2025 New Mexico Tax Expenditure Report*, the credit has been used by four to five taxpayers in the last three years and has reduced income tax revenue by as much as $267 thousand annually. Some years there are no claims for the credit. Assuming the same taxpayers file claims each year going forward, the fiscal impact would be an additional $267 thousand annually, twice the current amount claimed. Doubling the credit may attract more claims or make the current claimants more consistently transfer biomass or both.

EMNRD reports they issued approximately $200,000 in credits in tax year 2024 and estimate issuing about $750,000 to $900,000 in tax year 2025. "EMNRD estimates that, even with HB 113, the aggregate claims will not approach the $5 million cap on credits, as only four operators in the state routinely apply for this credit"

SIGNIFICANT ISSUES

The agricultural biomass income tax credit has a sunset date and is only available through FY29. Taxpayers apply for certification of eligibility to the Energy, Mineral and Natural Resources Department (EMNRD) and provide Taxation and Revenue Department (TRD) with the dated certificate. A maximum aggregate credit is set a $5 million, and EMNRD will stop certifying credits when the cap is reached. If the credit amount is less than $5 million, it can be used for up to four years.

Any credit that exceeds the taxpayer's tax liability can be carried forward for three years and is also transferable to other taxpayers.

According to the U.S. Energy Information Administration,[1] biogas, the gas produced from biomass and also called renewable natural gas, qualifies as a renewable for electricity generation in some state renewable portfolio standards, like New Mexico.[2]

Biomass resources are one of the renewable energy resources defined by the state Renewable Energy Act and contributes to the renewable portfolio standard and the state goal to achieve net-zero emissions by 2050.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met because the credit is part of the annual TRD tax expenditure report.

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[1] Biogas-Renewable natural gas - U.S. Energy Information Administration (EIA)
[2] DSIRE: NM State profile

EMNRD

Current dairy manure management methods risk contaminating groundwater and surface water. By increasing the tax credit per wet ton of manure, this bill incentivizes more dairies and feedlots to engage in beneficial manure management methods.

However, if the intent of the bill is to increase the dairy and feedlot industry's engagement in electricity or biocrude production, EMNRD recommends extending the tax credit sunset date (currently, the existing agricultural biomass tax credit sunsets in 2030). For a new dairy or feedlot to take advantage of the tax credit, the operator would need to procure certain equipment to process and/or transport manure. This equipment is often expensive, potentially resulting in the dairy or feedlot financing equipment for many years before they see a return on investment. If the tax credit sunsets in 2030, it is unlikely that new operators will be able to participate in the program given that equipment repayment timelines are often greater than three years.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate.

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✗	
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	 ✗ ✗ ✗	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 ✗	Credit sunsets after TY 2029
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are		

indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure. Fulfills stated purpose Passes "but for" test	 ✗ ✗	
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	✗	
Key: ✓ Met ✗ Not Met ? Unclear		

NF/hg/sgs/ct/dw/ct